

Congressman Ron Paul

Statement on HR 3221

July 24, 2008

Madam Speaker, For several years, followers of the Austrian school of economics have warned that unless Congress moved to end the implicit government guarantee of Fannie Mae and Freddie Mac, and took other steps to disengage the US Government from the housing market, America would face a crisis in housing. This crisis would force Congress to choose between authorizing a taxpayer bailout of Fannie and Freddie, and other measures increasing government's involvement in housing, or restoring a free-market in housing by ending government support for Fannie and Freddie and repealing all laws that interfere in housing. The bursting of the housing bubble, and the recent near-collapse in investor support for Fannie and Freddie has proven my fellow Austrians correct. Unfortunately, but not surprisingly, instead of ending the prior interventions in the housing market that are responsible for the current crisis, Congress is increasing the level of government intervention in the housing market. This is the equivalent of giving a drug addict another fix, which will only make the necessary withdrawal more painful.

The provision giving the Treasury Secretary a blank check to purchase Fannie and Freddie stock not only makes the implicit government guarantee of Fannie and Freddie explicit, it represents another unconstitutional delegation of Congress' Constitutional authority to control the allocation of taxpayer dollars. While the Treasury Secretary has to file a report with Congress, the lack of any effective standards for the expenditure of funds makes it impossible for Congress to perform effective oversight on Treasury's expenditures.

HR 3221 also takes another troubling step toward the creation of surveillance state by creating a Nationwide Mortgage Licensing System and Registry. This federal database will contain personal information about anyone wishing to work as a "loan originator." "Loan originator" is

defined broadly as anyone who "takes a residential loan application; and offers or negotiates terms of a residential mortgage loan for compensation or gain." According to some analysts, this definition is so broad as to cover part-time clerks and real estate agents who receive even minimal compensation from "originators." Additionally, this database forced on industry will be funded by fees paid to the federal banking agencies, yet another costly burden to the American taxpayers.

Among the information that will be collected from loan originators for inclusion in the federal database are fingerprints. Madam Speaker, giving the federal government the power to force Americans who wish to work in real estate to submit their fingerprints to a federal database opens the door to numerous abuses of privacy and civil liberties and establishes a dangerous precedent. Fingerprint databases and background checks have been no deterrent to espionage and fraud among governmental agencies, and will likewise fail to prevent fraud in the real estate market. I am amazed to see some members who are usually outspoken advocates of civil liberties and defenders of the Fourth Amendment support this new threat to privacy.

Finally, HR 3221 increases the federal debt limit by \$800 billion. We are told that CBO has scored this bill at a cost of \$25 billion, but this debt limit increase belies that. The Federal Reserve has already propped up the housing and financial markets to the tune of over \$300 billion, and this raise of the debt limit indicates that the cost of this newest bailout will likely be even more costly. I am dismayed that my colleagues have not learned the lessons of the Patriot Act and Sarbanes-Oxley. Massive bills passed in knee-jerk reaction to crisis events will always be poorly written, burdensome and expensive to taxpayers, and destructive of liberty.